

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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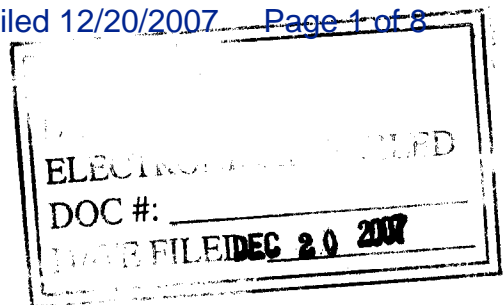
UNITED STATES OF AMERICA :

- v - :

ANTHONY MARTIN, :

Defendant. :

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INFORMATION

(RMB)

07 CRIM 1226

COUNT ONE

(Conspiracy to Commit Securities Fraud)

The United States Attorney charges:

BACKGROUND

1. Smart Online is a corporation organized under the laws of the State of Delaware with its headquarters in Durham, North Carolina. Smart Online develops and markets internet-delivered software applications and data resources to operate small businesses.

2. On or about April 15, 2005, the common stock of Smart Online began trading under the symbol "SOLN" on the National Association of Securities Dealers' Over-The-Counter Bulletin Board, a regulated quotation service that displays real-time quotes, last-sale prices, and volume information for certain over-the-counter securities.

3. At all times relevant to this Information, ANTHONY MARTIN, the defendant, was a registered representative of the Manhattan branch office of a brokerage firm.

THE SCHEME TO DEFRAUD

4. From in or about May 2005 through in or about July 2007, ANTHONY MARTIN, the defendant, and others known and unknown, participated in a fraudulent scheme to manipulate artificially the market price and demand for Smart Online stock and to defraud the purchasers of Smart Online stock. In order to generate an artificial demand for Smart Online stock, MARTIN, and others known and unknown, were paid secret bribes, or "kickbacks," by the former Chief Executive Officer of Smart Online, and others known and unknown, in order to induce MARTIN and others to sell Smart Online stock to their customers.

5. In soliciting purchases of Smart Online stock, ANTHONY MARTIN, the defendant, and others known and unknown, did not disclose to their customers, notwithstanding their respective fiduciary duties to do so, the facts that: (1) they had been induced to recommend Smart Online stock by means of secret bribes; or (2) they had in fact received such bribes. In addition, the statements that MARTIN and others made to their customers about Smart Online were materially misleading in light of the omitted information described above.

THE CONSPIRACY

6. From in or about May 2005 through in or about July 2007, in the Southern District of New York and elsewhere, ANTHONY MARTIN, the defendant, and others known and unknown, unlawfully,

willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, to wit, to commit securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5.

7. It was a part and object of the conspiracy that ANTHONY MARTIN, the defendant, and others known and unknown, unlawfully, willfully, and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, would and did use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of the securities of Smart Online, Inc., in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (1) employing devices, schemes and artifices to defraud; (2) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon the investing public and other persons and entities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

MEANS AND METHODS OF THE CONSPIRACY

8. Among the means and methods by which ANTHONY

MARTIN, the defendant, and his co-conspirators would and did carry out the objects of the conspiracy were the following:

a. MARTIN and others received undisclosed compensation for selling Smart Online stock to their customers.

b. MARTIN and others used the facilities of interstate commerce, including the use of interstate telephone calls, the mails, and wire communications in furtherance of their illegal scheme.

OVERT ACT

9. In furtherance of the conspiracy and to effect its illegal object, ANTHONY MARTIN, the defendant, committed the following overt act, among others, in the Southern District of New York and elsewhere:

a. On or about December 30, 2005, MARTIN was paid approximately \$500 in U.S. currency in New York, New York, in exchange for purchasing shares of Smart Online for his customers.

(Title 18, United States Code, Section 371).

COUNT TWO

(Securities Fraud)

The United States Attorney further charges:

10. The allegations contained in paragraphs 1 through 5, 8 and 9 of this Information are repeated and realleged as if fully set forth herein.

11. From in or about May 2005 through in or about July 2007, in the Southern District of New York and elsewhere, ANTHONY MARTIN, the defendant, unlawfully, willfully, and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons, in connection with the purchase and sale of Smart Online securities.

(Title 15, United States Code, Sections 78j(b) and 78ff;  
Title 17, Code of Federal Regulations, Section 240.10b-5;  
Title 18, United States Code, Section 2).

FORFEITURE ALLEGATION

12. As a result of committing one or more of the foregoing securities fraud offenses, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5 and 10b5-2, as alleged

in Counts One and Two of this Information, ANTHONY MARTIN, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the securities fraud offenses.

Substitute Assets Provision

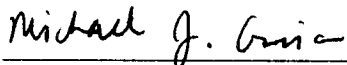
13. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

- (i) cannot be located upon the exercise of due diligence;
- (ii) has been transferred or sold to, or deposited with, a third party;
- (iii) has been placed beyond the jurisdiction of the court;
- (iv) has been substantially diminished in value; or
- (v) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any

other property of the defendant up to the value of the forfeitable property described above.

(Title 15, United States Code, Sections 78j(b), 78ff;  
Title 18, United States Code, Sections 371 and 981;  
Title 21, United States Code, Section 853(p);  
Title 28, United States Code, Section 2461;  
and Title 17, Code of Federal Regulations,  
Sections 240.10b-5 and 240.10b5-2).

  
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MICHAEL J. GARCIA *wjg*  
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**UNITED STATES OF AMERICA**

**- v. -**

ANTHONY MARTIN,

**Defendant.**

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**INFORMATION**

07 Cr.

(Title 18, United States Code, Section  
371; Title 15, United States Code,  
Sections 78j(b) & 78ff; Title 17, Code of  
Federal Regulations, Sections 240.10b-5.)

MICHAEL J. GARCIA  
United States Attorney.

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